

**Long Island Index 2006  
Special Analysis Report**

**Analysis of Government  
Expenditures and Revenues on  
Long Island**

**January 2006**

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**Long Island**  
**1998-2003**

**I. Methodology**

The information about local governments and school districts provided in this report is based primarily on CGR's analysis of data provided by the New York State Office of State Comptroller (OSC). Every governmental entity is required to submit an annual report to the OSC that contains detailed expenditure and revenue information. This information is reported based upon a uniform chart of accounts designated by the State Comptroller. Thus, although local government finance officers can exercise some discretion about which account codes to use, the OSC data is the best source of information to allow a true "apples for apples" comparisons among all layers of governments. For example, revenue account code 1001 is used to designate real property taxes, thus, every government and school district that collects Real Property Taxes reports that with the same account code. The same is true for expenses. For example, all governments report their expenses for Hospital and Medical Insurance under account code 9060.8.

CGR obtained data from the OSC at the detailed account code level and created a database that could be used to compare expenditures and revenues across all governments and school districts in Nassau and Suffolk counties. The most recent data available from OSC at the time CGR built its database came from fiscal 2003. CGR also obtained the data for fiscal year 1998 in order to identify changes over a five year time period. All figures have been adjusted to 2003 dollars to facilitate "apples for apples" comparisons across the five-year period.

The OSC data will not exactly match information provided by each government and school district in its public budget documents, mainly because the budgets represent revenue and spending plans, whereas the OSC data is based upon actual figures as reported by the finance officer of each government and school district. OSC revenue and expenditure totals for each entity do not necessarily match either, due to differences between when revenues and expenses are recorded for accounting purposes. Despite these minor differences, the OSC data is the best and most consistent means of making fiscal comparisons across the many different types of governments found on Long Island.

**II. The Number of Local Governments on Long Island**

This analysis examined expenditure and revenue information for 359 units of local government on Long Island for which CGR could obtain detailed data from OSC. The number of governments by county were:

Nassau: 1 county, 2 cities, 3 towns, 64 villages, 54 school districts, 38 fire districts.

Suffolk: 1 county, 10 towns, 30 villages, 71 school districts, 85 fire districts.

There are also 109 special purpose units of governments (authorities, special districts, library districts and agencies) identified in the OSC database. However, data for these were not uniformly available, thus CGR did not include special purpose units in this analysis. Excluding the special purpose units will not have a significant impact on the conclusions summarized in this analysis, because, for the 71 special purpose units for which data was available for 2003, the total expenditures for those units was \$207 million, which only represents 1% of the total of \$15.964 billion expenditures by the of the 359 units of local governments discussed in this analysis.

### III. The Cost of Local Governments on Long Island

#### 1. Expenditures by Type of Government

Local government in Long Island is big business. \$15.96 billion dollars was spent by local governments in 2003 – governments in Nassau spent \$7.88 billion, and in Suffolk spent \$8.09 billion.

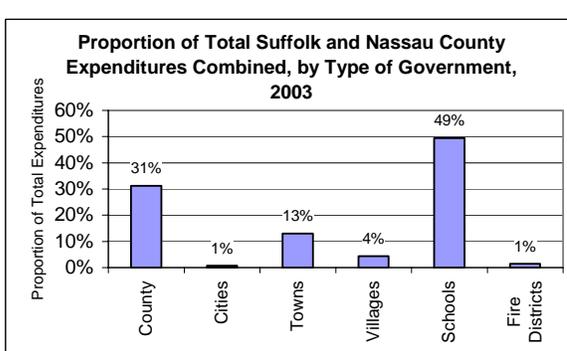
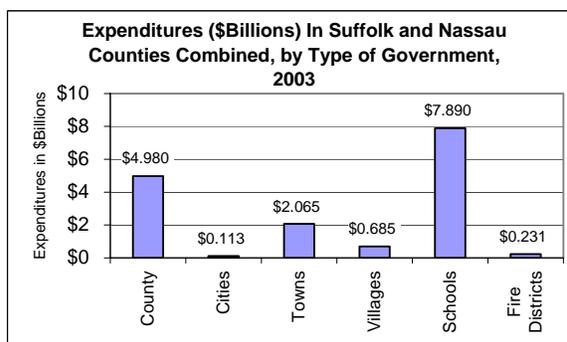
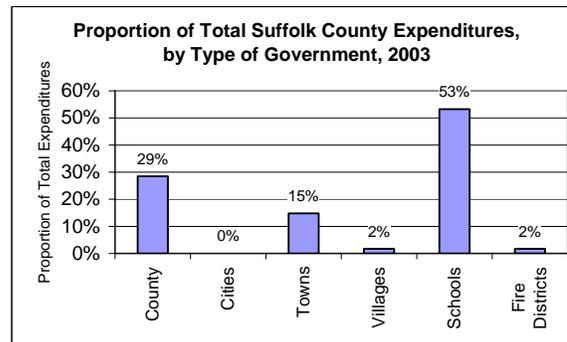
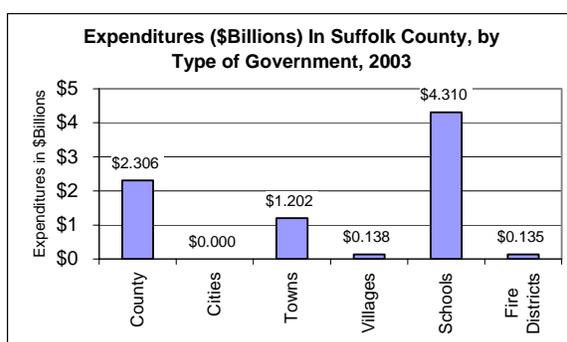
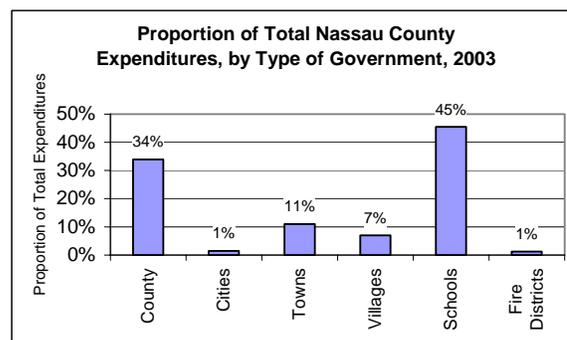
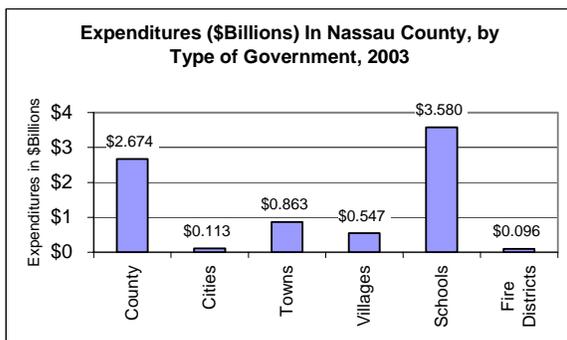
Counties are typically thought of as being the largest government business, and they are large - Nassau County government spent \$2.67 billion in 2003, and Suffolk County government spent \$2.31 billion in 2003, for a combined total of \$4.98 billion. However, this only represented 31% of the total spent by local governments. By far the largest local government business on the island is local school districts. In 2003, school districts spent \$3.58 billion in Nassau and \$4.31 in Suffolk, for a combined total of \$7.89 billion – almost twice as much as county governments, and 49% of the total of all local government spending.

TABLE 1 and the accompanying charts show the relative sizes of the different types of governments in each county, based upon expenditures in 2003.

	<u>Nassau</u>		<u>Suffolk</u>		<u>TOTAL</u>	
	<u>Expenditures</u>	<u>% of Total</u>	<u>Expenditures</u>	<u>% of Total</u>	<u>Expenditures</u>	<u>% of Total</u>
County	\$2.674	34%	\$2.306	29%	\$4.980	31%
Cities	\$0.113	1%	\$0.000	0%	\$0.113	1%
Towns	\$0.863	11%	\$1.202	15%	\$2.065	13%
Villages	\$0.547	7%	\$0.138	2%	\$0.685	4%
Schools	\$3.580	45%	\$4.310	53%	\$7.890	49%
Fire Districts	\$0.096	1%	\$0.135	2%	\$0.231	1%
<b>TOTAL</b>	<b>\$7.873</b>	<b>100%</b>	<b>\$8.091</b>	<b>100%</b>	<b>\$15.964</b>	<b>100%</b>

Note – Numbers and percentages rounded

## CHARTS With TABLE 1



### Primary Conclusions:

1. Local municipalities, i.e. cities, towns, village and local fire districts, represent only one fifth of the total cost of local government on Long Island. School districts represent *one-half* of the total spending, and the two counties represent almost *one-third* of total spending.
2. There are clear differences between the counties in terms of spending by type of government. Local governments (towns, villages and fire districts, and cities in Nassau) represent almost exactly the same portion of expense in both counties. However, in Nassau, county government is 34% of the total, and schools are 45% of the total. In Suffolk, county government is 29% of the total, and schools 53% of the total.

## 2. Cost by Category of Expense

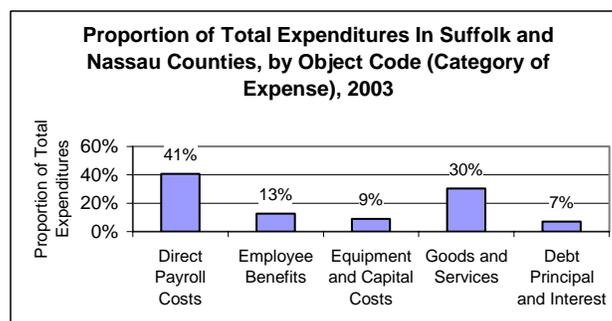
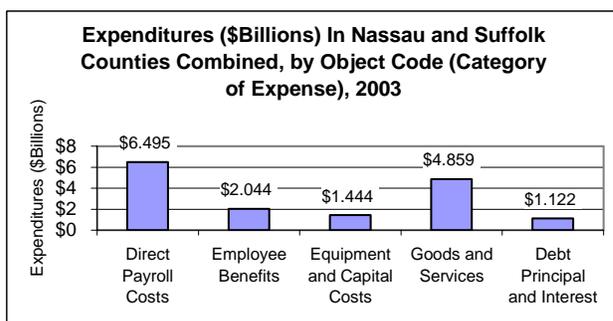
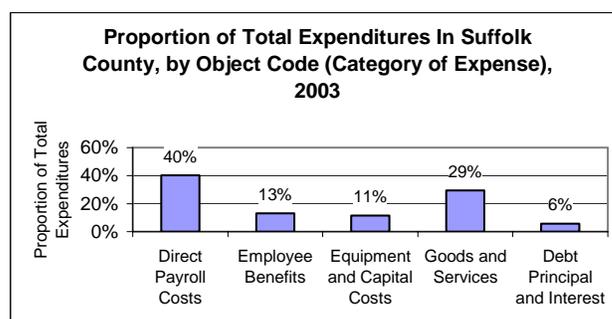
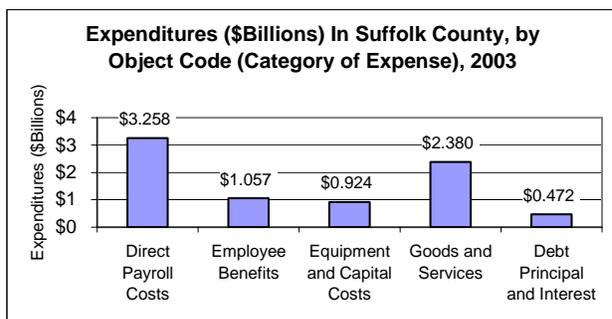
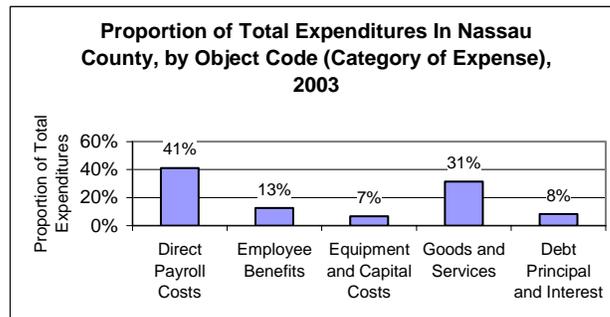
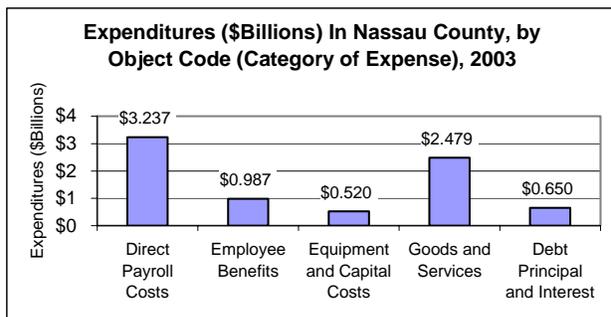
TABLE 1 shows the different types of governments on Long Island. However, all governments spend funds on basic categories of expense, or what are commonly referred to by government accounting principles as “objects” of expense. The major categories of expense are employee costs, equipment and capital costs, costs for the purchase of goods and services, and the costs of debt (principal and interest). CGR identified these four cost categories, and made one additional breakdown of employee costs, to show both the direct payroll costs and the cost of employee benefits (payroll taxes, health benefits, contributions to the retirement system, etc.)

TABLE 2 and the accompanying charts show how much local governments spend in each of the five major object codes (categories of expense) based upon expenditures in 2003.

	<u>Nassau</u>		<u>Suffolk</u>		<u>TOTAL</u>	
	<u>Expenditures</u>	<u>% of Total</u>	<u>Expenditures</u>	<u>% of Total</u>	<u>Expenditures</u>	<u>% of Total</u>
Total For Employees	\$4.224	54%	\$4.315	53%	\$8.539	54%
<i>Direct Payroll Costs</i>	\$3.237	41%	\$3.258	40%	\$6.495	41%
<i>Employee Benefits</i>	\$0.987	13%	\$1.057	13%	\$2.044	13%
Equipment and Capital Costs	\$0.520	7%	\$0.924	11%	\$1.444	9%
Goods and Services	\$2.479	31%	\$2.380	29%	\$4.859	30%
Debt Principal and Interest	\$0.650	8%	\$0.472	6%	\$1.122	7%
<b>TOTAL</b>	<b>\$7.873</b>	<b>100%</b>	<b>\$8.091</b>	<b>100%</b>	<b>\$15.964</b>	<b>100%</b>

Note – Numbers and percentages rounded

## CHARTS with TABLE 2

**Primary Conclusions:**

1. Employee costs represented 54% of the total cost of local governments in 2003. However, employee benefits represent almost one-quarter the cost of employees. Direct payroll costs totaled 41% of total cost, while employee benefits and employer contributions added another 13% to the total cost.
2. The next highest cost category was purchased goods and services at 30% of the total, followed by equipment and capital costs at 9% and debt service at 7%.

### 3. Cost by Function (Service Provided)

A third way to categorize how governments spend money is by function, i.e. what services are provided by the government. For example, any government that has employees has a payroll function, which is usually part of the larger finance function. However, not all governments provide the same functions. School districts do not provide public works, so one would not expect to see schools spending funds on road maintenance and repair. Similarly, counties are the primary providers of human and social services, thus, these costs are rarely found in any other level of government. Local governments report their expenditures based upon a pre-defined chart of accounts that lists all of the functions. Since the chart of accounts was written to cover standard government operations, sometimes, local governments apply their own interpretation about how to classify costs, which can lead to minor variations in comparing functions across common types of governments. However, the OSC data is the best way to compare expenditures by function across many governments.

Local governments can report their costs in any one of hundreds of functional cost codes. In order to identify the major trends to see how local governments are spending money, CGR compressed the OSC functional codes into thirty-three major categories. These are reported in two different ways.

TABLE 3 shows how much was spent by local governments in each of the thirty-three functional categories in 2003, sorted numerically by the OSC Function code. TABLE 4 gives the same information, but it is sorted high to low based upon spending within a functional category.

OSC Code	Function Description	Nassau	Suffolk	Total Combined	% of Total
10	Legislative	\$ 14,871,983	\$ 17,266,188	\$ 32,138,171	0.2%
11	Judicial	\$ 51,592,981	\$ 45,288,826	\$ 96,881,807	0.6%
12	Executive	\$ 24,061,799	\$ 29,200,838	\$ 53,262,637	0.3%
13	Finance	\$ 100,857,507	\$ 75,169,746	\$ 176,027,253	1.1%
14	General Governmental Depts	\$ 152,790,386	\$ 115,594,667	\$ 268,385,053	1.7%
16	Shared Services	\$ 548,491,616	\$ 834,462,370	\$ 1,382,953,986	8.7%
17-19	Special Items	\$ 293,419,190	\$ 200,160,260	\$ 493,579,450	3.1%
20-26, 28,29	Education and Instructional Salaries (schools)	\$ 2,357,054,563	\$ 2,652,409,109	\$ 5,009,463,672	31.4%
30,31	Law Enforcement/Public Safety	\$ 842,737,920	\$ 568,963,982	\$ 1,411,701,902	8.8%
33	Traffic Control	\$ 8,596,526	\$ 7,769,951	\$ 16,366,477	0.1%
34	Fire Protection	\$ 146,007,673	\$ 142,151,928	\$ 288,159,601	1.8%
35	Animal Control	\$ 4,591,546	\$ 5,263,001	\$ 9,854,547	0.1%
36,39	Other Public Safety	\$ 26,787,775	\$ 19,654,480	\$ 46,442,255	0.3%
40-41	Public Health	\$ 75,221,573	\$ 104,603,041	\$ 179,824,614	1.1%
42	Addiction Control	\$ 17,735,687	\$ 13,809,576	\$ 31,545,263	0.2%
43	Mental Health	\$ 7,651,000	\$ 38,517,268	\$ 46,168,268	0.3%
45,49	Other Health	\$ 52,035,134	\$ 83,968,836	\$ 136,003,970	0.9%
50,51,54	Highway	\$ 172,995,111	\$ 184,532,924	\$ 357,528,035	2.2%
55-59	Public Transportation	\$ 246,471,948	\$ 306,507,084	\$ 552,979,032	3.5%
60,61	Social Services	\$ 479,657,000	\$ 524,528,520	\$ 1,004,185,520	6.3%
62-69	Economic Opp and Dev	\$ 53,453,408	\$ 44,149,173	\$ 97,602,581	0.6%
70,74-79	Culture	\$ 28,934,352	\$ 48,686,038	\$ 77,620,390	0.5%
71-73	Recreation	\$ 213,815,096	\$ 106,525,663	\$ 320,340,759	2.0%
80	General Environment	\$ 13,937,491	\$ 21,268,122	\$ 35,205,613	0.2%
81	Sewage/Sanitation	\$ 383,113,039	\$ 303,259,347	\$ 686,372,386	4.3%
83	Water	\$ 95,636,391	\$ 28,111,094	\$ 123,747,485	0.8%
84	Municipal Power	\$ 37,284,011	\$ 1,996,921	\$ 39,280,932	0.2%
85	Community Environment	\$ 5,732,037	\$ 3,428,571	\$ 9,160,608	0.1%
86	Community Development	\$ 37,065,181	\$ 40,764,593	\$ 77,829,774	0.5%
87	Natural Resources	\$ 13,330,161	\$ 19,143,376	\$ 32,473,537	0.2%
88-89	Special Services	\$ 79,502,804	\$ 8,306,972	\$ 87,809,776	0.5%
90,91	Employee Benefits	\$ 640,030,252	\$ 1,024,697,204	\$ 1,664,727,456	10.4%
97	Debt Service	\$ 650,195,273	\$ 472,443,433	\$ 1,122,638,706	7.0%
<b>TOTAL</b>		<b>\$ 7,875,658,414</b>	<b>\$ 8,092,603,102</b>	<b>\$ 15,968,261,516</b>	<b>100.0%</b>

<b>OSC Code</b>	<b>Function Description</b>	<b>Nassau</b>	<b>Suffolk</b>	<b>Total Combined</b>	<b>% of Total</b>
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85	Community Environment	\$ 5,732,037	\$ 3,428,571	\$ 9,160,608	0.1%
<b>TOTAL</b>		<b>\$ 7,875,658,414</b>	<b>\$ 8,092,603,102</b>	<b>\$ 15,968,261,516</b>	<b>100.0%</b>

### *Primary Conclusions:*

1. TABLE 3 shows how much in total, and as a percentage of total expenditures, is spent by all the municipalities in each county, on the various functions listed. TABLE 3 quickly shows the relative costs of each major function, which can be used to identify priorities to be addressed in the future. For example, one comment that is often made by government reform leaders is that there could be significant savings by reducing the multiple layers of government and eliminating the costs of the duplicative layers of elected officials. TABLE 3 indicates that the cost of the Legislative function (Code 10), i.e. the cost of all elected officials, their staff and related office expenses – was \$32.1

million on Long Island in 2003. This represented .2% of the total cost of all local governments on Long Island.

- TABLE 4 can be used to understand both the absolute dollars being spent and the proportion being spent relative to total expenditures. TABLE 5 below, which is based on TABLE 4, shows the top ten highest cost functions. The top ten functions total 85.7% of the total cost of local governments on Long Island.

OSC Code	Function Description	Nassau	Suffolk	Total Combined	% of Total
20-26, 28,29	Education and Instructional Salaries (schools)	\$ 2,357,054,563	\$ 2,652,409,109	\$ 5,009,463,672	31.4%
90,91	Employee Benefits	\$ 640,030,252	\$ 1,024,697,204	\$ 1,664,727,456	10.4%
30,31	Law Enforcement/Public Safety	\$ 842,737,920	\$ 568,963,982	\$ 1,411,701,902	8.8%
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17-19	Special Items	\$ 293,419,190	\$ 200,160,260	\$ 493,579,450	3.1%
50,51,54	Highway	\$ 172,995,111	\$ 184,532,924	\$ 357,528,035	2.2%
	TOTAL	\$ 6,614,165,912	\$ 7,071,964,233	\$ 13,686,130,145	85.7%

- Because TABLES 3, 4 and 5 show expenditure by function, the totals shown do not directly match the totals shown in TABLE 1 and TABLE 2. CGR recommends that the tables be used in combination with each other to obtain an accurate understanding of the relative costs and patterns of expenditure by local governments. For example, TABLE 1 shows that the total cost of school districts on Long Island was \$7.8 billion in 2003. TABLE 3 shows that educational and instructional salaries totaled \$5 billion. More detailed analysis of the database would indicate whether or not all of the OSC Code 10-16, 28 and 29 expenses were found in school budgets. If it was, then it could be concluded that educational and instructional salaries constituted \$5 billion of the total \$7.8 billion spent by schools.

As another example of how each of the tables tell slightly different stories, TABLE 3 shows that Employee Benefits costs totaled \$1.664 billion in 2003. This is lower than amount shown in TABLE 2 for Employee Benefits. This is due to differences in how costs are categorized. TABLE 2, which is the higher number, includes all costs assigned the *object* code .8 as designated by the chart of accounts. TABLE 3 shows those costs that have been assigned OSC *function* codes 90 and 91. Some employee benefits could be accounted from however, in other functional areas. The more correct gross total for all functions and governments would be the amount shown in TABLE 2. While these differences are caused by technical variations in accounting for costs, the overall point to

be understood is that employee benefit costs represent between 10% to 13% of the cost of local governments on Long Island. A similar strategy, using information from all the tables together, is the best way to develop a comprehensive understanding of the cost of local governments.

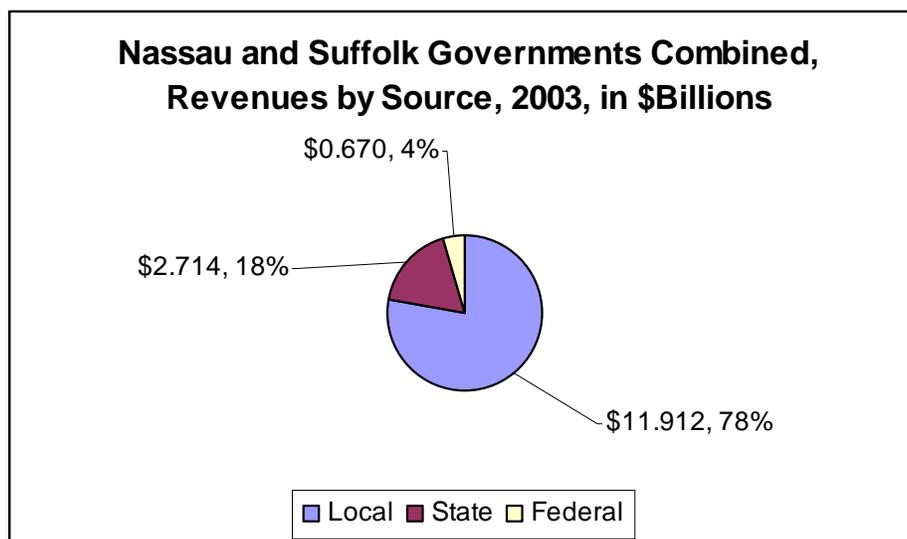
#### **IV. Revenues Received by Local Governments on Long Island**

##### **1. Major Revenue Categories for Each Type of Government**

Local governments are required to have balanced budgets. The total of all revenues collected by governments on Long Island in 2003 totaled \$15.3 billion. This does not exactly match the OSC numbers for expenses during the same time period due to accounting timing differences and additional new debt funding (net of new debt issued minus old debt retired). However, for ongoing revenue, all local governments rely on funding from three source: local revenues, state funding and federal funding. TABLE 6 and the related Chart shows the sources of funding for each type of local government on Long Island.

	<u>Total</u>	<u>Local</u>	<u>% of Total</u>	<u>State</u>	<u>% of Total</u>	<u>Federal</u>	<u>% of Total</u>
<b>County</b>	\$4.999	\$4.062	81%	\$0.556	11%	\$0.381	8%
<b>Cities</b>	\$0.101	\$0.078	77%	\$0.012	12%	\$0.011	10%
<b>Towns</b>	\$1.787	\$1.503	84%	\$0.218	12%	\$0.066	4%
<b>Villages</b>	\$0.618	\$0.565	91%	\$0.040	6%	\$0.013	2%
<b>Schools</b>	\$7.571	\$5.485	72%	\$1.886	25%	\$0.200	3%
<b>Fire Districts</b>	\$0.220	\$0.219	100%	\$0.000	0%	\$0.000	0%
<b>TOTAL</b>	<b>\$15.295</b>	<b>\$11.912</b>	<b>78%</b>	<b>\$2.714</b>	<b>18%</b>	<b>\$0.670</b>	<b>4%</b>

Note – Numbers and percentages rounded



### *Primary Conclusions:*

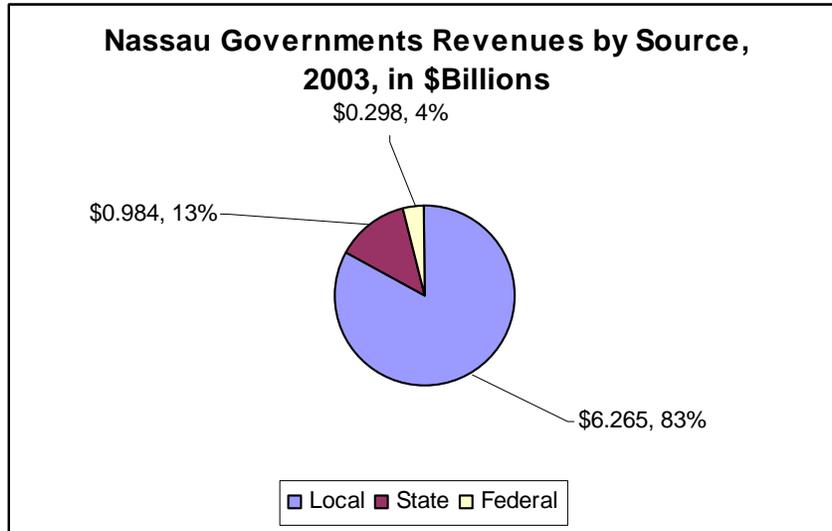
1. Local revenues, primarily from the property tax and sales tax, constitute 78% of the revenues of local governments on Long Island. 18% of the revenues come from New York State government, and the remaining 4% comes from the federal government. In short, residents of Long Island are directly bearing three-quarters of the cost of local government. Thus, every dollar saved by reducing the cost of government on Long Island would result in a direct savings to local residents, on average, of approximately seventy-five cents.
2. There are important differences in how the types of governments are financed. Schools represent the biggest local revenue component, but on a percentage basis, local revenues only provide 72% of total revenues for schools. 25% of the revenue for schools comes from the state. 100% of fire districts are funded by local revenues (actually, a small amount of revenues come from the state, but these are so small they are lost due to rounding). 91% of village government revenues come from local revenues, etc. Thus, saving village government costs would yield a higher percentage payback to local taxpayers, but the total amount of local taxes that could be saved is 10 times higher in school districts than it is in villages alone.

## 2. Differences in Funding Sources Between the Counties

There are important differences between the two counties in how local governments are financed. These differences are highlighted by the data shown in TABLE 7 and TABLE 8 and their accompanying charts.

	<u>Total</u>	<u>Local</u>	<u>% of Total</u>	<u>State</u>	<u>% of Total</u>	<u>Federal</u>	<u>% of Total</u>
<b>County</b>	\$2.601	\$2.179	84%	\$0.252	10%	\$0.169	7%
<b>Cities</b>	\$0.101	\$0.078	77%	\$0.012	12%	\$0.011	10%
<b>Towns</b>	\$0.717	\$0.613	85%	\$0.080	11%	\$0.024	3%
<b>Villages</b>	\$0.492	\$0.452	92%	\$0.028	6%	\$0.011	2%
<b>Schools</b>	\$3.553	\$2.858	80%	\$0.611	17%	\$0.084	2%
<b>Fire Districts</b>	\$0.085	\$0.085	100%	\$0.000	0%	\$0.000	0%
<b>TOTAL</b>	<b>\$7.547</b>	<b>\$6.265</b>	<b>83%</b>	<b>\$0.984</b>	<b>13%</b>	<b>\$0.298</b>	<b>4%</b>

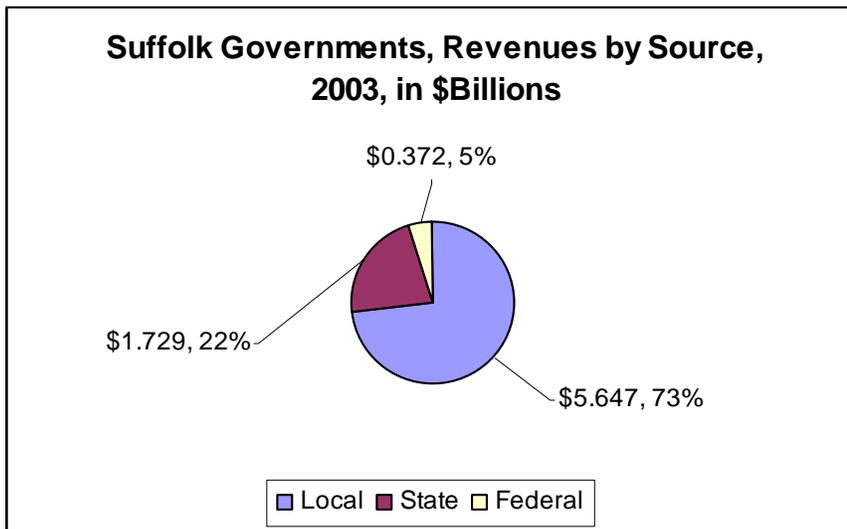
Note – Numbers and percentages rounded



**TABLE 8  
Suffolk Governments--Revenues by Source, 2003, in \$Billions**

	<u>Total</u>	<u>Local</u>	<u>% of Total</u>	<u>State</u>	<u>% of Total</u>	<u>Federal</u>	<u>% of Total</u>
County	\$2.398	\$1.882	78%	\$0.304	13%	\$0.211	9%
Cities	\$0.000	\$0.000		\$0.000		\$0.000	
Towns	\$1.070	\$0.890	83%	\$0.138	13%	\$0.042	4%
Villages	\$0.126	\$0.112	89%	\$0.012	9%	\$0.002	2%
Schools	\$4.019	\$2.627	65%	\$1.275	32%	\$0.116	3%
Fire Districts	\$0.135	\$0.135	100%	\$0.000	0%	\$0.000	0%
<b>TOTAL</b>	<b>\$7.748</b>	<b>\$5.647</b>	<b>73%</b>	<b>\$1.729</b>	<b>22%</b>	<b>\$0.372</b>	<b>5%</b>

Note – Numbers and percentages rounded



***Primary Conclusions:***

1. Local governments in Nassau rely on local revenues for 83% of their total revenues, while those in Suffolk only obtain 73% of their revenues from local revenues. The difference is primarily due to Suffolk governments receiving 22% of their revenues from the state, whereas Nassau governments only receive 13% of their revenues from the state.
2. The major difference among governments in the two counties appears to be in funding of school districts. In Nassau, school districts receive only 17% of their funding from the state, and 2% from the federal government. The remaining 81% has to be raised from local revenues. In Suffolk, school districts receive 32% of their funding from the state, and 3 % from the federal government, leaving schools to raise only 65% of their funding from local revenues. Smaller variations also exist among the other types of governments in the two counties.

**3. Sources of Local Revenues**

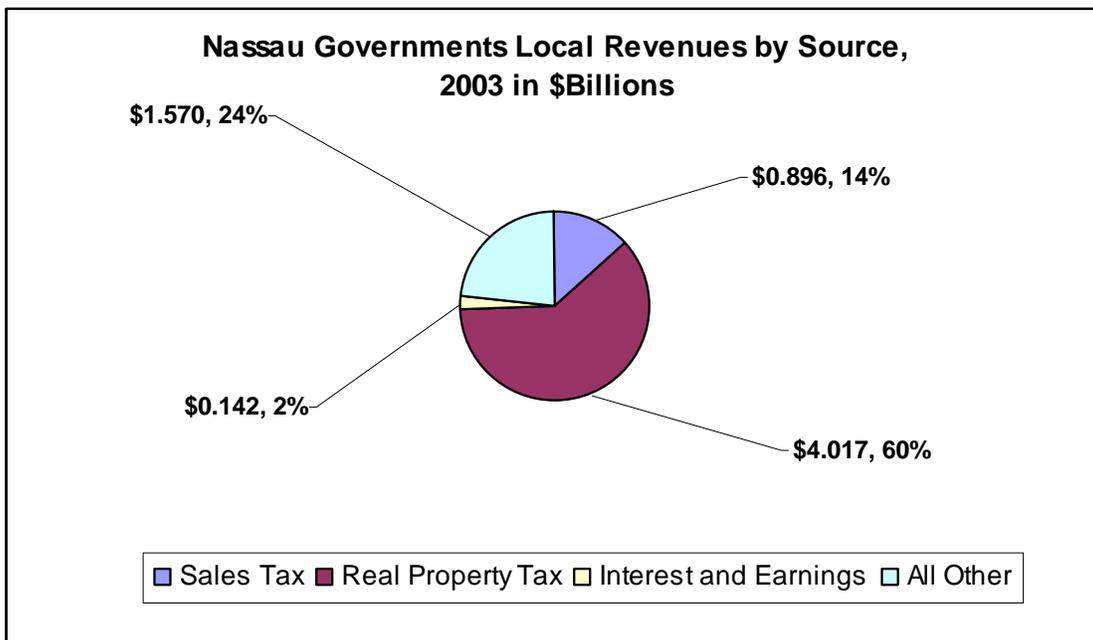
Local revenues play such a significant role in funding local governments on Long Island that it is important to understand the sources of local revenues and the impact on local taxpayers. The State Comptroller has identified specific account codes for several hundred different types of revenues that are collected by local governments. These range from the large revenues such as real property taxes and sales taxes, to mid-sized revenues such as utilities gross receipts taxes, parking meter fees and water usage charges to small revenues from charges such as planning and zoning fees, vital statistics fees, recreation fees, etc. All of these locally raised revenues except interest earnings, sales of property and surplus equipment and donations constitute some form of tax, special charge, fee or penalty imposed by local governments, and therefore represent a cost of doing business on Long Island.

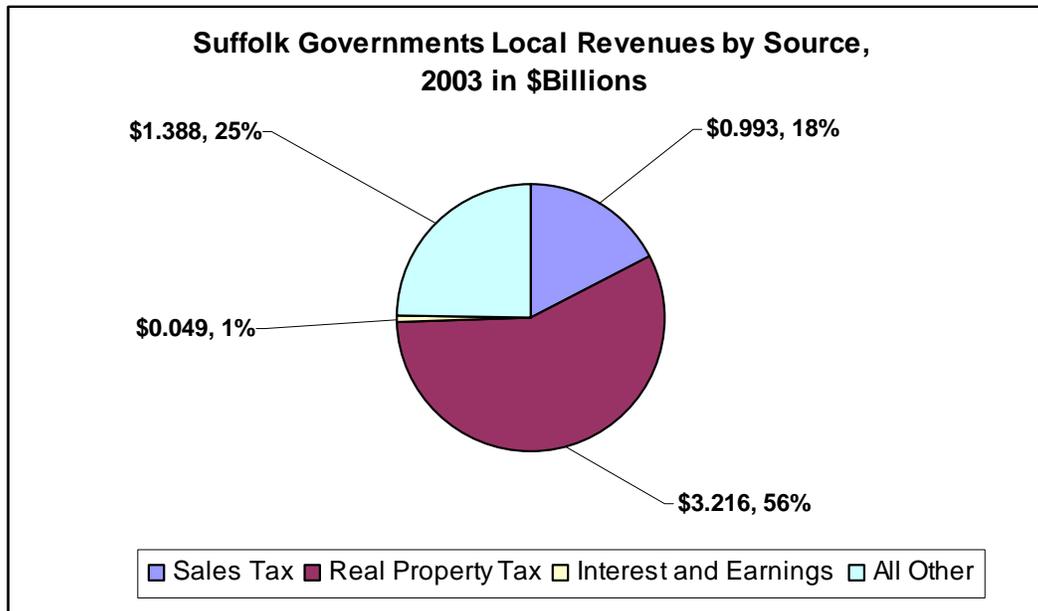
TABLE 9 and accompanying charts give a breakdown of the sources of local revenues into four largest categories. The category “All Other” includes over one hundred smaller taxes, fees, fines and other miscellaneous revenue such as sale of surplus, donations and reimbursements.

TABLE 9				
Types of Local Revenue for All Governments in Nassau and Suffolk 2003 Revenues in \$Billions				
TYPE	<u>Nassau</u>	<u>% of Total</u>	<u>Suffolk</u>	<u>% of Total</u>
Sales Tax <sup>1</sup>	\$0.896	14%	\$0.993	18%
Real Property Tax <sup>2</sup>	\$4.017	61%	\$3.216	57%
Interest and Earnings <sup>3</sup>	\$0.142	2%	\$0.049	1%
All Other	\$1.570	24%	\$1.388	25%
<b>TOTAL</b>	<b>\$6.625</b>	<b>100%</b>	<b>\$5.647</b>	<b>100%</b>

<sup>1</sup> OSC Codes 1110 and 1115; <sup>2</sup> OSC Code 1001; <sup>3</sup> OSC Codes 2710 and 2401

Note – Numbers and percentages rounded





**Primary Conclusions:**

1. The real property tax is the primary revenue source for governments in both counties. Revenues in the “All Other” category constitute the second largest category, however, the total is the sum of over a hundred different small and medium revenue sources. A systematic review of all the types of revenues included in the “All Other” category would identify opportunities to change revenues to local governments.
2. There is a clear difference among governments in the two counties in terms of their reliance on sales tax versus property tax revenues. This has significant policy implications to the extent that local governments want local taxes to be more or less “regressive.”

**V. How Local Governments have Changed in the Last Five Years – Inflation Adjusted**

**1. Changes in Expenditures by Type of Government**

As shown in TABLE 10, local governments on Long Island increased spending by \$1.783 billion (in constant 2003 dollars), up 13% during the five year period from 1998 to 2003.

<b>TABLE 10</b>			
<b>Expenditures by All Governments, by Year Shown, in \$Billions</b>			
	<b>1998<sup>1</sup></b>	<b>2003</b>	<b>% Increase</b>
Nassau Governments	\$7.667	\$7.873	3%
Suffolk Governments	\$6.513	\$8.091	24%
<b>Nassau + Suffolk Combined</b>	<b>\$14.181</b>	<b>\$15.964</b>	<b>13%</b>

<sup>1</sup> In 2003 dollars. Note: numbers and percentages rounded.

TABLE 11 provides more detail about changes in spending by the various levels of government on Long Island.

	<u>Nassau</u>			<u>Suffolk</u>			<u>Combined</u>		
	1998 <sup>1</sup>	2003	% Change	1998 <sup>1</sup>	2003	% Change	1998 <sup>1</sup>	2003	% Change
County	\$3.266	\$2.674	-18%	\$1.934	\$2.306	19%	\$5.199	\$4.980	-4%
Cities	\$0.090	\$0.113	26%	\$0.000	\$0.000		\$0.090	\$0.113	26%
Towns	\$0.869	\$0.863	-1%	\$0.984	\$1.202	22%	\$1.854	\$2.065	11%
Villages	\$0.467	\$0.547	17%	\$0.117	\$0.138	18%	\$0.585	\$0.685	17%
Schools	\$2.893	\$3.580	24%	\$3.364	\$4.310	28%	\$6.256	\$7.890	26%
Fire Districts	\$0.081	\$0.096	19%	\$0.114	\$0.135	18%	\$0.195	\$0.231	19%
<b>TOTALS</b>	<b>\$7.666</b>	<b>\$7.873</b>	<b>3%</b>	<b>\$6.513</b>	<b>\$8.091</b>	<b>24%</b>	<b>\$14.179</b>	<b>\$15.964</b>	<b>13%</b>

<sup>1</sup> In 2003 dollars. Note: numbers and percentages rounded.

### *Primary Conclusions:*

1. The rate of growth of expenditures varied significantly between Nassau and Suffolk governments – a 3% overall increase in Nassau compared to a 24% overall increase in Suffolk. This is primarily explained by the fact that overall spending by the Nassau County government decreased between the comparison years by 18%, whereas Suffolk County government expenditures increased by 19% in constant 2003 dollars. Every other type of government in Suffolk increased spending at a faster rate than the comparable governments in Nassau except for fire districts, which grew slightly faster in Nassau.
2. The largest increase in both counties occurred within school districts. Clearly, school district spending was the major driving force in increased spending by local governments on Long Island over the five-year period.

## **2. Changes in Expenditures by Category of Expense**

TABLE 12 shows how expenditures by category of expense (object code) changed from 1998 to 2003 for all governments in both counties.

Object of Expense	Nassau			Suffolk			Combined		
	1998 <sup>1</sup>	2003	% Change	1998 <sup>1</sup>	2003	% Change	1998 <sup>1</sup>	2003	% Change
Total for Employees	\$4.01	\$4.23	5%	\$3.67	\$4.32	18%	\$7.68	\$8.55	11%
Direct Payroll Costs	\$3.14	\$3.24	3%	\$2.87	\$3.26	14%	\$6.02	\$6.50	8%
Employee Benefits	\$0.87	\$0.99	14%	\$0.80	\$1.06	33%	\$1.66	\$2.05	23%
Equipment/Capital	\$0.54	\$0.52	-3%	\$0.41	\$0.92	124%	\$0.95	\$1.44	52%
Goods/Services	\$2.43	\$2.48	2%	\$2.01	\$2.38	19%	\$4.43	\$4.86	10%
Debt Princ. & Interest	\$0.70	\$0.65	-6%	\$0.43	\$0.47	9%	\$1.13	\$1.12	-1%
<b>TOTALS</b>	<b>\$7.67</b>	<b>\$7.88</b>	<b>3%</b>	<b>\$6.52</b>	<b>\$8.09</b>	<b>24%</b>	<b>\$14.19</b>	<b>\$15.97</b>	<b>13%</b>

<sup>1</sup> In 2003 dollars. Note: numbers and percentages rounded.

### Primary Conclusions:

1. In every type of expense, governments in Suffolk grew more rapidly than governments in Nassau during the five year period.
2. Employee costs grew the fastest in total dollars, with employee benefits growing more rapidly than direct payroll costs.

### 3. Changes in Expenditures by Cost of Function

TABLE 5 showed the ten highest cost functions among all governments in 2003. These ten functions accounted for 85.7% of total spending by local governments on Long Island in 2003. TABLE 13 shows the expenditures in each of these ten functions in 1998 as well as 2003, and shows the percentage change over the five years in each function.

Function Description	Nassau			Suffolk			Combined		
	1998 <sup>1</sup>	2003	% Change	1998 <sup>1</sup>	2003	% Change	1998 <sup>1</sup>	2003	% Change
Education/Instr. Salaries	\$1.97	\$2.36	19%	\$2.27	\$2.65	17%	\$4.24	\$5.01	18%
Employee Benefits	\$0.50	\$0.64	27%	\$0.78	\$1.02	32%	\$1.28	\$1.66	30%
Law Enforce./Public Safety	\$0.80	\$0.84	5%	\$0.49	\$0.57	17%	\$1.29	\$1.41	10%
Shared Services	\$0.40	\$0.55	37%	\$0.45	\$0.83	86%	\$0.85	\$1.38	63%
Debt Service	\$0.69	\$0.65	-6%	\$0.43	\$0.47	10%	\$1.12	\$1.12	0%
Social Services	\$0.49	\$0.48	-1%	\$0.38	\$0.52	37%	\$0.87	\$1.00	16%
Sewage/Sanitation	\$0.41	\$0.38	-6%	\$0.29	\$0.30	4%	\$0.70	\$0.69	-2%
Public Transportation	\$0.24	\$0.25	1%	\$0.27	\$0.31	13%	\$0.52	\$0.55	7%
Special Items	\$0.45	\$0.29	-34%	\$0.14	\$0.20	39%	\$0.59	\$0.49	-17%
Highway	\$0.18	\$0.17	-2%	\$0.13	\$0.18	37%	\$0.31	\$0.36	15%
<b>TOTAL Top 10 Functions</b>	<b>\$6.13</b>	<b>\$6.61</b>	<b>8%</b>	<b>\$5.63</b>	<b>\$7.07</b>	<b>26%</b>	<b>\$11.76</b>	<b>\$13.69</b>	<b>16%</b>
<b>TOTAL All Expenditures</b>	<b>\$7.67</b>	<b>\$7.88</b>	<b>3%</b>	<b>\$6.51</b>	<b>\$8.09</b>	<b>24%</b>	<b>\$14.17</b>	<b>\$15.96</b>	<b>13%</b>

<sup>1</sup> In 2003 dollars. Note: numbers and percentages rounded.

### *Primary Conclusions:*

1. The top ten functional areas of expense increased at a faster rate over the five year period than the total of all expenditures (e.g. 16% for the top ten expenditures for all governments versus 13% for all expenditures for all governments). This increase was undoubtedly driven by the fact that educational/instructional salaries is such a large component of cost, and that grew by 18% on Long Island over the five years.
2. Employee benefits grew by 30% for all governments, which was about one-third faster than educational/instructional salaries. As noted in a previous section, salaries for other government employees are included in functional areas (e.g. police salaries are included in the Law Enforcement/Public Safety function). However, the information shown in TABLE 13 is consistent with that shown in TABLE 12, i.e. that employee benefits grew faster than salaries during the five years.
3. The fastest growing functional area was Shared Services. Further analysis of this trend may determine to what extent this approach produced cost saving efficiencies in addition to shifting expenditures among various governmental units.

## 4. Changes by Source of Revenue

TABLE 14 summarizes how the sources of revenue changed from 1998 to 2003 for the governments in the two counties.

<b>Source</b>	<b>Nassau</b>			<b>Suffolk</b>			<b>Combined</b>		
	1998 <sup>1</sup>	2003	% Change	1998 <sup>1</sup>	2003	% Change	1998 <sup>1</sup>	2003	% Change
Local	\$5.745	\$6.265	9%	\$4.782	\$5.647	18%	\$10.527	\$11.912	13%
State	\$0.836	\$0.984	18%	\$1.431	\$1.729	21%	\$2.267	\$2.714	20%
Federal	\$0.258	\$0.298	16%	\$0.285	\$0.372	31%	\$0.542	\$0.670	24%
<b>TOTALS</b>	<b>\$6.839</b>	<b>\$7.547</b>	<b>10%</b>	<b>\$6.498</b>	<b>\$7.748</b>	<b>19%</b>	<b>\$13.337</b>	<b>\$15.296</b>	<b>15%</b>

<sup>1</sup> In 2003 dollars. Note: numbers and percentages rounded.

### *Primary Conclusions:*

1. Overall, for governments in both counties, sources of revenue shifted slightly away from local revenue to state and federal revenue. However, local revenue for all governments accounted for 79% of total revenues in 1998, and 78% of total revenues in 2003, so there was only a 1% shift to other sources of revenues during that five year period.
2. The rates of change among sources for governments in the two counties differed substantially. Further analysis would determine what specific factors may have driven

these differences and how different strategies might create different revenue shifts in the future.

## **VI. Identifying Potential Opportunities to Cooperate, Collaborate or Consolidate**

One of the most useful strategies for reducing the cost of local government while continuing to provide high quality service is to find efficiencies by reducing or eliminating overlapping and/or redundant costs among the various layers of government. For example, some government reform groups advocate eliminating layers of local government, in order to at least save the cost of the various bodies of elected officials found in school boards, towns, villages, cities and the county. As noted in a previous section, the OSC data indicates that all local governments on Long Island spent a total of \$32.1 million on local legislative costs in 2003.

There are two generally accepted strategies for achieving cost reductions among different governments. These strategies are:

1. Cooperation and collaboration. Using this strategy, two or more governments and/or schools work together to achieve economies of scale by pooling purchasing power and staff resources, without requiring a change in the governing structure of the participants,
2. Consolidation. This strategy achieves economies of scale and eliminates duplication of functions. Consolidation has the greatest potential for reducing costs, however, it requires structural changes in that one or more of the entities either changes or eliminates its governing structure. Home rule legislation, the desire to retain local autonomy and control, and precedents created by laws and past practices in New York make it more difficult to achieve savings through consolidation than through aggressive cooperation and collaboration strategies.

The OSC data can be used to identify areas of common expense across governments and schools, and the amount spent in each area by each entity. Once the common functions have been identified, further analysis can determine potential cost savings and the appropriate strategies to achieve the potential savings.

CGR created a master expenditure grid, for all governments and schools in both Nassau and Suffolk counties, which identifies how much was spent in 2003 by each entity, in the thirty-three functional areas previously discussed. A section of the master grid for governments in Nassau is shown in TABLE A. The entire grid is much larger, but TABLE A illustrates how the data is arranged, showing the government type, function code, and amount spent.

Once the master expenditure grid was created for the governments in each county, CGR then developed a common function grid. On this grid, wherever an entity spent \$10,000 or more in a functional area, a black box was created for that entity. The resulting grid created an easy-to-understand picture of where governments and schools spend funds on common functions. TABLE B is a section of the common function grid for Nassau County. The entire grid is much

larger, but TABLE B illustrates how the data can be used to show where there are common areas of expense.

<b>TABLE A</b>											
<b>EXAMPLE - Expenditures by Nassau Governments by OSC Code, 2003, in \$Millions</b>											
	TOTAL	Legislative	Judicial	Executive	Finance	General Governmental Depis	Shared Services	Special Items/Other	Education	Public Safety	Traffic Control
		10	11	12	13	14	16	17-19	20-26,28,29	30,31	33
Nassau County	\$2,674.84	6.57	45.60	3.08	38.73	78.74	67.53	166.49	100.07	727.17	2.99
<b>CITIES</b>											
Glen Cove	\$48.66	0.16	0.00	0.29	0.80	1.00	0.18	0.85	0.00	9.50	0.00
Long Beach	\$64.38	0.17	0.07	0.36	1.51	2.21	3.12	3.05	0.06	13.21	0.10
<b>TOWNS</b>											
Hemstead	\$424.09	1.44	0.00	1.50	5.62	22.50	1.93	27.46	0.00	3.44	3.77
North Hemstead	\$170.67	0.33	0.00	0.52	2.17	2.54	1.73	7.99	0.00	11.03	0.00
Oyster Bay	\$268.36	1.11	0.00	0.61	3.51	3.63	10.22	8.81	0.00	0.00	0.37
<b>VILLAGES</b>											
Atlantic Beach	\$2.34	0.02	0.07	0.00	0.08	0.12	0.27	0.02	0.00	0.09	0.00
Baxter Estates	\$0.50	0.00	0.00	0.00	0.01	0.08	0.01	0.01	0.00	0.00	0.00
Bayville	\$4.72	0.01	0.03	0.01	0.27	0.11	0.23	0.15	0.00	0.00	0.00
Bellerose	\$1.10	0.01	0.03	0.00	0.02	0.08	0.10	0.04	0.00	0.34	0.00
Brookville	\$2.27	0.00	0.03	0.00	0.11	0.04	0.05	0.03	0.00	1.10	0.00
Cedarhurst	\$5.24	0.05	0.31	0.02	0.36	0.05	0.13	0.00	0.00	0.00	0.05
Centre Island	\$1.46	0.00	0.02	0.00	0.07	0.04	0.02	0.00	0.00	0.85	0.00
Cove Neck	\$0.77	0.00	0.00	0.00	0.05	0.10	0.00	0.03	0.00	0.29	0.00
East Hills	\$7.79	0.03	0.06	0.01	0.05	0.52	0.18	0.10	0.00	0.00	0.01
East Rockaway	\$7.50	0.02	0.05	0.01	0.35	0.10	0.47	0.43	0.00	0.00	0.00
East Williston	\$1.66	0.02	0.00	0.00	0.02	0.11	0.05	0.12	0.00	0.00	0.00
Farmingdale	\$9.12	0.07	0.07	0.04	0.34	0.23	0.08	0.13	0.00	0.00	0.00
Floral Park	\$20.99	0.02	0.17	0.01	0.71	0.27	1.46	0.64	0.00	4.43	0.00
Flower Hill	\$1.89	0.01	0.05	0.00	0.02	0.18	0.07	0.12	0.00	0.00	0.00
Freeport	\$78.54	0.07	0.43	0.23	1.43	1.98	1.81	6.20	0.00	11.75	0.09
Garden City	\$48.93	0.00	0.31	0.00	1.01	0.85	1.46	6.51	0.00	6.90	0.00

**TABLE B**  
**EXAMPLE of COMMON FUNCTION GRID - Common Areas of Expenditures by Nassau**  
**Governments, by OSC Code in 2003**

	Legislative	Judicial	Executive	Finance	General Governmental Depts	Shared Services	Special Items	Education	Law Enforcement/Public Safety	Traffic Control	Fire Protection	Animal Control	Other Public Safety	Public Health	Addiction Control	Mental Health	Other Health	Highway	Public Transportation	Social Services	Economic Opp and Dev
Total Expenditures: All Municipalities and Governments	\$14,871,983	\$51,592,981	\$24,061,799	\$100,857,507	\$152,790,386	\$548,491,616	\$293,419,190	\$2,357,054,563	\$842,737,920	\$8,596,526	\$146,007,673	\$4,591,546	\$26,787,775	\$75,221,573	\$17,735,687	\$7,651,000	\$52,035,134	\$172,995,111	\$246,471,948	\$479,657,000	\$53,453,408
<b>COUNTY OF NASSAU</b>																					
<b>CITIES</b>																					
Glen Cove																					
Long Beach																					
<b>TOWNS</b>																					
Hemstead																					
North Hemstead																					
Oyster Bay																					
<b>VILLAGES</b>																					
Atlantic Beach																					
Baxter Estates																					
Bayville																					
Bellerose																					
Brookville																					
Cedarhurst																					
Centre Island																					
Cove Neck																					
East Hills																					
East Rockaway																					
East Williston																					
Farmingdale																					
Floral Park																					
Flower Hill																					
Freeport																					
Garden City																					

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***Primary Conclusions:***

1. By using the common expenditure grids (the TABLE A example) and common function grids (the TABLE B example), it is possible to identify many different potential cooperation, collaboration and/or consolidation opportunities among governments in both counties. Two examples illustrate how to use these grids:
  - a. For the twenty-two different governments shown in TABLE B, all the governments had expenditures in the Finance, General Governmental and Highway functions. Among all governments in the county, the total spent on these functions amounted to over \$424 million. Since all these governments share these common functions, it appears to be worth further study to identify opportunities to reduce costs through cooperation, collaboration or consolidation strategies for these functions,
  - b. TABLE B shows that thirteen of the twenty-two governments had expenditures for Law Enforcement/Public Safety. Using the detailed expenditure information in TABLE A, it can be determined that these thirteen governments spent a total of \$790.1 million in this area, ranging from \$727.17 million spent by Nassau County, down to \$90,000 spent by the village of Atlantic Beach. This information can be used to identify potential *participants* in efforts to provide police/public safety services more efficiently, and the potential *benefits* to each participating municipality.
2. Reviews of the entire grids for both counties reveal many areas where many entities spend funds on common functions. A number of functional expenditures are common to schools as well as governments, including legislative, executive, finance, shared services and transportation expenditures, as well as employee benefits. These grids can provide a starting point for anyone interested in driving efforts to change the structure and costs of local governments and schools on Long Island.